


ONTARIO FINANCES

2000-01 SECOND QUARTER

QUARTERLY UPDATE - SEPTEMBER 30, 2000

Government
Publications

 Ontario
Ministry of Finance

Fiscal Summary (\$ Millions)

	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Revenue	62,931	62,060	64,053	1,993
Expenditure				
Programs	46,649	49,525	50,172	647
Restructuring and Other Charges	211	--	--	--
Accounting Changes from 1999-00 Public Accounts*	720	--	606	606
Total Program Expenditure	47,580	49,525	50,778	1,253
Capital*	4,832	2,075	2,209	134
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Total Expenditure*	61,909	61,060	62,417	1,357
Reserve	--	1,000	--	(1,000)
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	354	--	270	270
SURPLUS / (DEFICIT)	668	0	1,366	1,366

* Accounting changes introduced in the 1999-00 Public Accounts increased total 2000-01 expenditure in-year by \$746 million, representing more than 50 per cent of the in-year change from Budget Plan.

** Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEF). Consistent with the principles of electricity restructuring, OEF debt is to be recovered from ratepayers, not taxpayers.

HIGHLIGHTS

1999-00 PUBLIC ACCOUNTS

- ◆ The 1999-00 Public Accounts, released November 1, 2000, reported the 1999-00 audited actual surplus at \$668 million, up \$14 million from the \$654 million interim estimate in the 2000 Ontario Budget.

2000-01 IN-YEAR PERFORMANCE

SURPLUS AT \$1.4 BILLION

- ◆ The 2000-01 surplus is projected at \$1,366 million, as compared to a balanced budget outlook in the 2000 Ontario Budget and First Quarter Ontario Finances.

REVENUE AT \$64.1 BILLION

- ◆ The revenue outlook, at \$64,053 million, is up \$1,993 million from the Budget Plan, and up \$1,990 million from the First Quarter Ontario Finances, mainly due to increased tax revenue as a result of the strength of the economy and the revenue impact of consolidating the Independent Electricity Market Operator as a government organization.

IN-YEAR EXPENDITURE UP \$0.6 BILLION

- ◆ In-year decisions increased total expenditure \$611 million from the 2000 Budget Plan and \$608 million from the First Quarter Ontario Finances, mainly due to an additional \$498 million for the Hospitals' Comprehensive Strategy and for emergency health services, and \$138 million for Public Service Pension Plan expenditures.

ACCOUNTING CHANGES INCREASE TOTAL EXPENDITURE BY \$0.7 BILLION

- ◆ Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 total expenditure by \$746 million due to an increase in the Provision for the Electricity Sector and the expenditure impact of consolidating the Independent Electricity Market Operator and the Metro Toronto Convention Centre as government organizations. Revenue increased by \$358 million in 2000-01 as a result of these accounting changes.

RESERVE APPLIED TO REDUCE NET PROVINCIAL DEBT

- ◆ Based on improvements in the economic and revenue outlook, the \$1 billion reserve has been eliminated and applied to Net Provincial Debt reduction.

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Le rapport est disponible en français.
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This document is available on the Internet at: <http://www.gov.on.ca/FIN/english/engdoc.htm>

FISCAL PERFORMANCE

REVENUE

- ◆ Total revenue is projected to be \$64,053 million, up \$1,993 million from the 2000 Ontario Budget Plan, and \$1,990 million above the First Quarter Ontario Finances outlook. Major changes this quarter are:
 - ◆ Personal Income Tax revenue is \$1,200 million higher due to the vigorous pace of growth of employment and incomes in Ontario.
 - ◆ Retail Sales Tax is \$200 million higher as a result of strong growth in consumer and business spending.
 - ◆ The Employer Health Tax outlook is increased by \$60 million due to robust job creation.
 - ◆ Net income from the Ontario Lottery and Gaming Corporation is increased by \$170 million due to the performance of slot machines at race tracks.
 - ◆ Other Income from Government Enterprises is increased by \$5 million as a result of the change in status of the Metro Toronto Convention Centre from government enterprise to government organization. With this change in status, a \$5 million net loss for the Metro Toronto Convention Centre, which was included in the 2000 Budget outlook, is now excluded from Income from Government Enterprises.
 - ◆ Sales and Rentals is increased by \$45 million as a result of the change in status of the Metro Toronto Convention Centre from government enterprise to government organization.
 - ◆ Miscellaneous Other Revenue is \$310 million higher due to \$308 million for the consolidation of the Independent Electricity Market Operator as a government organization, and \$2 million for policing services provided for the Town of Tillsonburg, the County of Brant and the Township of Red Rock.

OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$60,208 million, is up \$1,223 million from the Budget Plan and up \$1,212 million from the First Quarter Ontario Finances. Major changes this quarter are as follows:
 - ◆ Ministry of the Attorney General: An increase of \$1 million to implement legislation relating to domestic violence intervention orders (restraining orders) and to fund the Organized Crime Summit.
 - ◆ Ministry of Education: A decrease of \$24 million based on updated estimates of improved Teachers' Pension Plan funding gains.
 - ◆ Ministry of Energy, Science and Technology: An additional \$283 million to reflect the operating component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-00 Public Accounts.
 - ◆ Ministry of Environment: An additional \$12 million for Operation Clean Water; and an additional \$10 million for the launch of the Environmental SWAT Team Initiative, partially offset by \$5 million from the Contingency Fund.
 - ◆ Ministry of Finance: Consistent with the principles of electricity restructuring, an amount of \$275 million has been added to the Provision for the Electricity Sector. This amount is equal to the net income of Ontario Power Generation and Hydro One in excess of the Province's interest expenditure on its equity investment in the electricity sector, consistent with the treatment in the 1999-00 Public Accounts.
 - ◆ Ministry of Health and Long-Term Care: An additional \$398 million for the Hospitals' Comprehensive Strategy to support extensive modernization of hospital services; an investment of \$100 million to improve access to emergency health services and to implement the flu vaccination program; an expenditure increase of \$21 million in the Long-Term Care program, for increased utilization in community services and to extend School Health Support services to children attending private schools or schooled at home, fully offset from the Contingency Fund; and savings of \$3 million arising from the signing of a new contract for the Ontario Health Network.

OPERATING EXPENDITURE CONT'D

- ♦ Management Board Secretariat: An additional \$11 million for the Smart Card Project, fully offset from the Contingency Fund; an additional \$1 million to investigate possible new facilities for the Archives of Ontario; and an additional \$138 million for providing various benefit improvements and a contribution holiday to members of the Public Service Pension Plan, similar to changes in the OPSEU Pension Plan.
- ♦ Ministry of Municipal Affairs and Housing: An expenditure increase of \$1 million as a result of the transfer from the Ontario Native Affairs Secretariat of the Off-Reserve Housing initiative to build and renovate off-reserve native housing in Northern Ontario.
- ♦ Ontario Native Affairs Secretariat: An expenditure decrease of \$1 million as a result of the transfer of the Off-Reserve Housing initiative to the Ministry of Municipal Affairs and Housing.
- ♦ Ministry of Natural Resources: An increase of \$25 million to implement and expand Ontario's Living Legacy, fully offset from the Contingency Fund; an additional \$4 million to fund new responsibilities resulting from electricity restructuring, including the development of water management plans and a new business relationship with the water power industry; and an additional \$1 million for resource-based tourism diversification, fully offset from the Contingency Fund.
- ♦ Ministry of the Solicitor General: An additional \$3 million for OPP municipal policing services contracts (County of Brant, Town of Tillsonburg and Township of Red Rock, offset by revenue) and the Anishnabek First Nations Policing Agreement; and an increase of \$1 million for enforcement and effective use of domestic violence intervention orders.
- ♦ Ministry of Tourism: An increase of \$48 million as a result of the consolidation of the Metro Toronto Convention Centre as a government organization, consistent with the treatment in the 1999-00 Public Accounts.

PUBLIC DEBT INTEREST

- ♦ The Public Debt Interest forecast of \$9,430 million, consisting of \$8,910 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the Electricity Sector, is down \$30 million from the Budget Plan and the First Quarter Ontario Finances, due to lower-than-expected interest rates.

CAPITAL EXPENDITURE

- ♦ Capital expenditure at \$2,209 million is up \$134 million from the Budget Plan and up \$142 million from the First Quarter Ontario Finances. The major changes this quarter were:
 - ♦ Ministry of Energy, Science and Technology: An additional \$140 million to reflect the capital component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-00 Public Accounts.
 - ♦ Ontario Native Affairs Secretariat: An additional \$2 million for the Aboriginal Community Capital Infrastructure Program.

Statement of Financial Transactions (\$ Millions)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q2 2000-01
Revenue	49,450	52,518	55,786	62,931	64,053
Expenditure					
Programs*	42,956	43,709	46,509	47,369	50,778
Restructuring and Other Charges	2,180	1,595	76	211	--
Total Program Expenditure	45,136	45,304	46,585	47,580	50,778
Capital*	2,612	2,451	2,187	4,832	2,209
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,977	8,910
Electricity Sector	--	--	--	520	520
Total Expenditure	56,355	56,484	57,788	61,909	62,417
Reserve	--	--	--	--	--
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	--	--	--	354	270
SURPLUS / (DEFICIT)	(6,905)	(3,966)	(2,002)	668	1,366
NET PROVINCIAL DEBT***	108,769	112,735	114,737	113,715	112,079

* 1996-97 to 1998-99 restated to reflect reclassification of leases from capital to operating. Program expenditure totals in 1999-00 and 2000-01 reflect the impact of accounting changes introduced in the 1999-00 Public Accounts.

** Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*** Net Provincial Debt represents total Liabilities less Financial Assets.

Selected Economic and Fiscal Statistics

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q2 2000-01
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	335,843	357,300	372,630	396,775	426,755
Ontario Population (000s) - July 1	11,101	11,249	11,386	11,517	11,669
Ontario Revenue as a per cent of GDP	14.7	14.7	15.0	15.9	15.0
Ontario Revenue Growth (%)	0.0	6.2	6.2	12.8	1.8
Ontario Total Spending as a per cent of GDP	16.8	15.8	15.5	15.6	14.6
Ontario Total Spending Growth (%)	(3.3)	0.2	2.3	7.1	0.8
Ontario PDI as a Share of Revenue (%)	17.4	16.6	16.2	15.1	14.7
Ontario PDI as a Share of Total Spending (%)	15.3	15.5	15.6	15.3	15.1
Ontario PDI as a per cent of GDP	2.6	2.4	2.4	2.4	2.2
Ontario Surplus / (Deficit) as a per cent of GDP	(2.1)	(1.1)	(0.5)	0.2	0.3
Net Provincial Debt per capita	9,798	10,022	10,077	9,874	9,605
Net Provincial Debt as a per cent of GDP	32.4	31.6	30.8	28.7	26.3

Sources: Ontario Ministry of Finance and Statistics Canada.

VIBRANT ONTARIO ECONOMY IN 2000

- ◆ The Ontario economy continued to grow strongly in the second quarter of the calendar year (April-June period), with real GDP up 5.3 per cent at annual rates. This followed growth of 5.2 per cent in the first quarter.

STRONG JOB GROWTH IN 2000

- ◆ During the first eleven months of 2000, Ontario employment was up 184,000 compared to the same period in 1999.
- ◆ In November, Ontario employment rose 35,400 following a 27,400 job gain in October. The unemployment rate was 6.0 per cent.

STRONG CONSUMER SPENDING GROWTH IN 2000

- ◆ Over the first nine months of 2000, Ontario retail sales were up 7.9 per cent from a year ago and unit auto sales jumped 6.5 per cent.

HOUSING MARKET REMAINS STRONG

- ◆ Over the first ten months of 2000, housing starts in Ontario rose 8.7 per cent from a year ago.
- ◆ Over the first ten months of 2000, Toronto new home sales increased 16.5 per cent from a year ago.

BUSINESS GROWING

- ◆ Over the first nine months of 2000, Ontario manufacturing shipments rose 7.9 per cent from a year ago.
- ◆ Ontario international merchandise exports increased 6.4 per cent over the same period.

ONTARIO INFLATION MODERATE IN 2000

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 2.9 per cent in October 2000. Excluding energy prices, the CPI increase was 1.9 per cent in October.

KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Quarterly					
		1999	99:1	99:2	99:3	99:4	00:1	00:2
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	6.1	6.7	6.6	8.0	5.5	5.2	5.3
Nominal GDP	Ontario	6.5	8.2	8.4	7.2	3.9	10.1	8.2

		Annual	Monthly 2000					
		1999	June	July	Aug	Sept	Oct	Nov
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	157	4	23	53	7	33	44
Employment (Change in 000s)	Ontario	198	8	29	5	18	27	35
Private Sector	Ontario	187	8	23	2	22	29	46
Public Sector	Ontario	11	1	7	2	(4)	(1)	(11)
Unemployment Rate (%)	Ontario	6.3	5.4	5.3	6.0	5.8	5.9	6.0
Household Sector								
Retail Sales	Ontario	7.3	0.6	1.5	0.4	0.6	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	57.2	80.8	62.1	67.4	73.5	N/A
New Home Sales*	Toronto	33.1	4.6	14.1	6.6	29.7	1.4	N/A
MLS Home Resales*	Ontario	7.4	(6.9)	(10.5)	2.5	(3.6)	N/A	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	11.7	1.5	(1.7)	1.3	0.1	N/A	N/A
Consumer Price Index*	Ontario	1.9	3.2	3.1	2.5	2.8	2.9	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders Association, Canadian Real Estate Association and Ward's Automotive.

* % change from a year earlier

N/A = Data not available

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

(\$ Millions)	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	17,617	17,530	18,730	1,200
Retail Sales Tax	12,879	13,400	13,600	200
Corporations Tax	8,095	8,765	8,765	--
Employer Health Tax	3,118	3,320	3,380	60
Gasoline Tax	2,154	2,260	2,260	--
Fuel Tax	665	665	665	--
Tobacco Tax	481	510	510	--
Land Transfer Tax	565	580	580	--
Mining Profits Tax	50	55	55	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	33	40	40	--
Other Taxation	218	193	193	--
	45,881	47,323	48,783	1,460
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	3,777	3,548	3,548	--
Increase in CHST Allocation	190	552	552	--
CHST Supplements	755	757	757	--
Social Housing	466	533	533	--
Student Assistance	170	171	171	--
Indian Welfare Services	85	114	114	--
Bilingualism Development	65	64	64	--
Employability Assistance for People with Disabilities	65	66	66	--
Canada-Ontario Infrastructure Works	19	--	--	--
Other	293	227	227	--
	5,885	6,032	6,032	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery and Gaming Corporation*	1,924	1,695	1,865	170
Liquor Control Board of Ontario	845	915	915	--
Ontario Power Generation Inc. and Hydro One Inc.	903	795	795	--
Other	36	18	23	5
	3,708	3,423	3,598	175
OTHER REVENUE				
Vehicle and Driver Registration Fees	911	920	920	--
Other Fees and Licences	667	670	670	--
Liquor Licence Revenue	539	530	530	--
Royalties	345	240	240	--
Sales and Rentals	2,133	790	835	45
Fines and Penalties	41	35	35	--
Local Services Realignment - Reimbursement of Expenditure	1,678	1,572	1,572	--
Miscellaneous	1,143	525	838	313
	7,457	5,282	5,640	358
TOTAL REVENUE	62,931	62,060	64,053	1,993

* Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.

OPERATING EXPENDITURE

MINISTRY	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	347	446	446	--
Attorney General	844	882	883	1
Board of Internal Economy	154	121	121	--
Citizenship, Culture and Recreation	337	398	398	--
Community and Social Services	7,512	7,504	7,504	--
Consumer and Commercial Relations	134	146	146	--
Correctional Services	563	591	591	--
Economic Development and Trade	94	99	99	--
Education	7,702	8,026	8,124	98
School Board Phase-in Funding	268	--	--	--
Teachers' Pension Plan (TPP)	(363)	(711)	(735)	(24)
Energy, Science and Technology	126	241	241	--
Environment	174	158	184	26
Executive Offices	19	22	22	--
Finance - Own Account	548	787	787	--
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	521	537	537	--
Health and Long-Term Care	20,378	21,988	22,504	516
Major One-Time Operating Costs	286	--	--	--
Intergovernmental Affairs	4	5	5	--
Labour	101	100	100	--
Management Board Secretariat	170	298	310	12
Public Service/OPSEU Pension Plan	(165)	(248)	(110)	138
Contingency Fund	--	1,165	1,000	(165)
OPS Employee Severance (Net)	88	--	--	--
Municipal Affairs and Housing	1,665	1,644	1,645	1
Native Affairs Secretariat	13	16	15	(1)
Natural Resources	460	376	414	38
Northern Development and Mines	122	274	274	--
Office of Francophone Affairs	3	4	4	--
Solicitor General	814	856	863	7
Tourism	70	76	76	--
Training, Colleges and Universities	3,284	3,387	3,387	--
Transportation	587	537	537	--
Year-End Savings	--	(200)	(200)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	303	--	283	283
Finance – Provision for Electricity Sector	383	--	275	275
Tourism – Metro Toronto Convention Centre	34	--	48	48
TOTAL OPERATING EXPENDITURE	57,077	58,985	60,208	1,223

* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 operating expenditure in-year by \$606 million.

CAPITAL EXPENDITURE

MINISTRY	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	80	80	--
Attorney General	62	64	64	--
Citizenship, Culture and Recreation	75	71	71	--
Community and Social Services	20	20	20	--
Correctional Services	124	156	156	--
Education	52	5	5	--
Energy, Science and Technology	500	--	--	--
Environment	1	14	14	--
Water Protection Fund	160	51	51	--
Finance	7	3	3	--
SuperBuild Millennium Partnerships	--	200	200	--
Health and Long-Term Care	338	291	291	--
Major One-Time Capital Costs	1,004	--	--	--
Management Board Secretariat	13	12	12	--
Municipal Affairs and Housing	(10)	2	2	--
Native Affairs Secretariat	5	8	10	2
Natural Resources	96	83	75	(8)
Northern Development and Mines	212	273	273	--
Solicitor General	--	8	8	--
Tourism	2	11	11	--
Training, Colleges and Universities	1,028	44	44	--
Transportation	830	799	799	--
Year-End Savings	--	(120)	(120)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	156	--	140	140
Tourism – Metro Toronto Convention Centre	156	--	--	--
TOTAL CAPITAL EXPENDITURE	4,832	2,075	2,209	134

* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 capital expenditure in-year by \$140 million.

ONTARIO'S 2000-01 FINANCING PROGRAM

(\$ Millions)		2000-01		
		Budget Plan	Current Outlook	Change from Budget
	Actual 1999-00			
Deficit / (Surplus)	(668)	--	(1,366)	(1,366)
Accruals and Consolidations	623	5,205	5,430	225
Net Borrowing on Behalf of Agencies*	(2,758)	--	83	83
Increase / (Decrease) in Liquid Reserves	4,102	(4,500)	(4,500)	--
Net Cash Requirements	1,299	705	(353)	(1,058)
Maturing Debt**	7,895	8,425	8,239	(186)
Early Redemptions and Debt Buybacks	1,246	500	2,148	1,648
Total Financing Requirements	10,440	9,630	10,034	404
Sources of Funds:				
Canada Pension Plan Borrowing	870	1,038	805	(233)
Other Sources / (Uses)	295	--	(330)	(330)
Increase / (Decrease) in Short-Term Borrowing	608	--	--	--
Long-Term Public Borrowing***	8,667	8,592	9,559	967
TOTAL FINANCING	10,440	9,630	10,034	404

* Includes other balance sheet changes.

** Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

***Includes Ontario Savings Bonds.

For the purposes of the Financing table, budget surpluses are expressed as negative numbers.

2000-01 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of September 30)	Remaining	% Completed
LONG-TERM PUBLIC FINANCING (INCLUDING CPP)	7,265	3,099	70.1%

♦ Long-term financing undertaken in the second quarter totalled \$1,466 million as follows:

	(\$ Millions)
Canadian Dollar Issues	812
US Dollar Issues	471
Canada Pension Plan	183
	1,466

♦ Total financing requirements are \$404 million higher than in the 2000 Budget Plan, largely due to \$1,648 million higher-than-forecasted early redemptions of Ontario Savings Bonds and Ontario debt buybacks. This increase has been largely offset by lower cash requirements.

♦ Based on the projected surplus for 2000-01, Net Provincial Debt is forecast at \$112.1 billion at March 31, 2001. This is \$2.0 billion lower than the Budget Plan due to lower-than-anticipated Net Provincial Debt in the 1999-00 Public Accounts and improvements in the surplus outlook for 2000-01.

♦ As part of the Ontario Financing Authority's mandate to manage the debt and financing requirements of the Ontario Electricity Financial Corporation (OEFC), it has completed \$1,216 million of OEFC's required refinancing of \$1,950 million as of September 30, 2000. The refinancing requirements are down \$511 million from the forecasted \$2,461 million requirement at the time of the Budget.

